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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No. 113

HONORABLE BERNARD M. DECKER,
United States District Judge, ET AL.,
Petitioners,

v.

HARPER & ROW PUBLISHERS, INC., ET AL.,
Respondents.

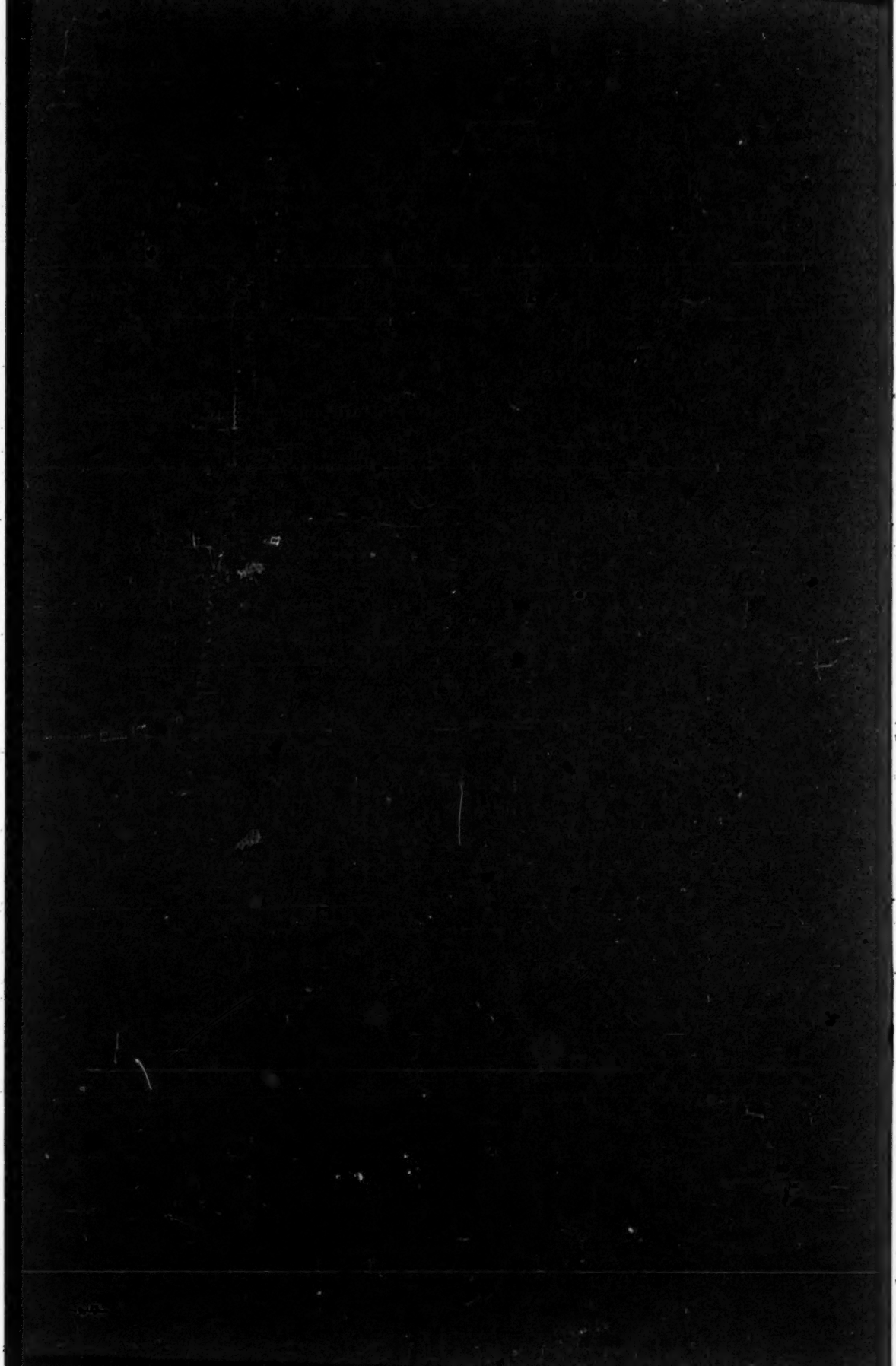
On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

BRIEF AMICUS CURIAE

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Edward S. Irons and Mary Helen Sears, members of the Bar of this Court, respectfully move under the provisions of Rule 42(3) for leave to file a brief amicus curiae in order to present certain views generally supportive of petitioners in this case, but not advanced by either party or the present amici. Consent of petitioners was requested and refused; respondents were provided with a draft of the brief but have taken no position.

Movants are lawyers primarily engaged in representing corporate clients in patent, trademark and unfair competition matters before the courts. In the course of this practice, movants have from time to time devoted considerable effort, thought and study to the problem of delineating the proper compass, if any, of attorney-client privilege in these fields of law, especially for corporate clients. As a part of these endeavors, movants recently represented Natta in *Natta* v. *Hogan*, 392 F.2d 686 (10 Cir. 1968), relied upon by both litigants and both of the present amici in this case, as well as in *In re Natta*, 410 F.2d 187 (3 Cir, 1969), *cert. den. sub nom. Montecatini Edison S.p.A.* v. *E.I. duPont de Nemours & Co.*, No. 322, O.T. 1969 and *Natta* v. *Zletz*, 418 F.2d 633 (7 Cir. 1969).

In the present case we have noted at least three major topics central to any attempt at "[a]n authoritative delineation of the scope of the attorney-client privilege available to corporate clients" (Motion of the American Bar Assn. for Leave to File a Brief . . . , p. 1) which have not been treated by the parties or the present amici, *to wit*:

1. Attorney-client privilege is a creature of state law, application of which is governed by *state* statutory provisions and *state* common law. Applicability, if any, of state law privilege criteria to resolution of matters arising under federal law is a subject which has received relatively little attention from, but is deserving of concentrated scrutiny by, this Court.

2. A corporation is a state-created hypothetical "person" composed of numerous natural persons whose specific identity is constantly changing. It is presumably chartered under state law for public benefit. The extent, if any to which its actions may encroach upon or run counter to imperatives of federal law and yet be protected by state law privilege concepts is also worthy of this Court's attention.

3. In many areas of federal law where corporations are active the corporate entity has a fiduciary duty to disclose fully to the government *all* relevant facts. This duty is seemingly inconsistent with the recognition of attorney-client privilege in the apposite areas of federal law, regardless of whether the theory of the corporate control group be otherwise accepted.

In their zeal to obtain a convenient generalized rule of thumb for use in testing attorney-client privilege claims by corporations the litigants and the amici alike overlook the dangers implicit in the possible adoption of a blanket rule lacking sufficient flexibility to meet the frequently competing demands of corporate self-interest, state law and federal law—demands which vary from one field of state or federal law to another.

An additional point central to the resolution of the present controversy but overlooked by the parties and the present *amici* is the focal public policy of both state and federal law which dictates that the scope of privilege available to corporations not exceed that available to ordinary non-corporate clients. This policy consideration militates against a holding which would significantly strengthen corporations in contests against non-corporate private parties and thereby necessarily "deleteriously affect the legal representation"[1] and even the constitutionally guaranteed rights of the latter. We wish to present to the Court those policy considerations flowing especially from the Fifth Amendment which foreclose an artificially broadened concept of attorney-client privilege for hypothetical corporate "persons" that by its very nature could not be availed of by natural persons.

We believe that the conceded "significance of this cause to the administration of justice"[2] which assertedly

[1] "Motion of the American Bar Association for Leave to File . . .", page 2.

[2] "Motion of the American Bar Association for Leave to File . . .", page 2.

goes "to the very roots of the relationship between every member of the Bar and his corporate clients" [3] renders it appropriate and important for the Court to entertain all viewpoints before deciding this matter. We accordingly respectfully request that our brief be received and considered.

Respectfully submitted,

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Washington, D. C. 20006

[3] "Motion for Leave to File Brief Amicus Curiae", filed by the Association of the Bar of the City of New York and the New York County Lawyers Association, page 2.

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BRIEF AMICUS CURIAE

INTEREST OF THE AMICUS CURIAE

Our interest here is the same as that of the American Bar Association—*i.e.*, "in focusing on the impact of the privilege in areas beyond the very limited aspect involved in this cause and presenting the policy considerations amicus believes crucial" (ABA Br., p. 2). As practicing lawyers with considerable experience in attorney-client privilege questions as applied to corporations, we desire to present for the Court's consideration those

policy considerations not put forth by the litigants or the bar association amici, which we believe to be controlling on certain aspects of any effort at "[a]uthoritative delineation of the scope of the attorney-client privilege as applied to corporations" (ABA Br., p. 2).*

ARGUMENT

I. Introduction

Since virtually the inception of our jurisprudence, it has been recognized that "The rule of privilege, having a tendency to prevent the full disclosure of the truth, ought to be construed strictly", *Foster* v. *Hall*, 29 Mass. (12 Pick.) 89, 97 and "is not to be extended beyond the limits of that principle of policy upon which it is allowed", *Hatton* v. *Robinson*, 31 Mass. (14 Pick.) 416, 422 (1833). "[T]he suppression of evidence which it [privilege] effects can be justified only when the limitations which restrict the scope of its operation are assiduously heeded", *People's Bank* v. *Brown*, 112 F. 652, 654 (3 Cir. 1902).

Wigmore, paraphrasing these early decisions and citing *Foster*, teaches that privilege is "an obstacle to the investigation of truth. It ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle", 8 Wigmore on Evidence § 2291 at 554. There is ostensibly general acceptance of this teaching. *Radiant Burners, Inc.* v. *American Gas Assn.*, 320 F.2d 314, 323 (7 Cir. 1963); *N.L.R.B.* v. *Harvey*, 349 F.2d 900 (4 Cir. 1965); *Falsone* v. *United States*,

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* As used hereinafter "P. Br." refers to the Petitioners' Brief; "R. Br." refers to the Respondents' Brief in Opposition; "ABA Br." refers to the Brief of the American Bar Association as Amicus Curiae and "BANY Br." refers to the Brief Amicus Curiae of the Association of the Bar of the City of New York and New York County Lawyers Association, "Pet." as used herein refers to the Petition.

Unless otherwise indicated all emphasis in quotations is added.

205 F.2d 734 (5 Cir. 1953); *United States* v. *Summe*, 208 F.Supp. 925 (E.D. Ky. 1962). See also *Ortiz* v. *H.L.H. Products Co.*, 39 F.R.D. 41 (D. Del. 1965), citing and quoting the comparable § 2192 of Wigmore to the effect that privileges "should be recognized only within the narrowest limits required by principle. Every step beyond these limits helps to provide, without any real necessity, an obstacle to the administration of justice".

Nevertheless the teaching is honored far more in breach than otherwise. The lower federal courts, while paying it lip service, *in practice* indulge an ever increasing number of factual assumptions, presumptions and legal fictions in lieu of evidence to achieve *de facto* an ever broader scope of attorney-client privilege.

The case at bar is a good example of the tack customarily taken in the lower federal courts. The record below is devoid of evidence that the communications in issue were "made in confidence" (P.Br. 19, 25-26). Even respondents tacitly so acknowledge by failure to point to any pertinent proofs. Confidentiality is an *absolute prerequisite* to the existence of attorney-client privilege; it is a focal point of Wigmore's fundamental conditions necessary to establishing privilege quoted at P. Br. 22-23 (see also P.Br. 19-20; ABA Br. 3). A strict construction of the attorney-client privilege principle as counselled by Wigmore and other authorities cited hereinabove would perforce disqualify the communications here in issue on the ground that confidentiality was not proved below by the proponents of the privilege. Under the restrictive Wigmore approach confidentiality may not be assumed or presumed; to find privilege without *proof* of confidentiality is to erect an "obstacle to the investigation of the truth . . . to the administration of justice" without justification or necessity.

By similar all-too-typical treatment in other cases and other courts, attorney-client privilege is rapidly assum-

ing the role of the sacred cow in our legal system.[1] When its disciples couple their defense of its ascendancy, as here, with pleas for validation by this Court of various fictitious assumptions and presumptions that will not only guarantee its sovereignty over other public policy considerations even in the federal system, but will effectively endow the corporate form of existence with unequal advantage before the courts over natural persons, the time has surely come to call a halt to its encroachments upon "truth" and "justice".

II. The Questionable Premises Underlying the Arguments for Unlimited "Privilege" for Corporate Clients

It is argued by respondents and their amici that corporate clients *must* be entitled to attorney-client privilege for *all* communications between any employee in the course of his employment and any lawyer for the corporation (presumably whether or not also an employee), if the corporation is to be able to seek and receive legal advice at all. It is said, e.g., that any other state of affairs "would adversely affect the administration of justice in this country by impeding effective counseling of corporations and damaging the individual rights of their agents" (ABA Br. 5).[2] It is darkly hinted that lawyers will refuse full and conscientious representation of corporate clients unless the scope of privilege be as sought—it is said that otherwise "it takes little imagination to envision the limited role which counsel will be willing to undertake in future counselling" (BANY Br.

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[1] A similar treatment was accorded the evidentiary prerequisites to recognition of privilege in, *e.g.*, *Natta* v. *Hogan*, 392 F.2d 686 (10 Cir. 1968); *In re Natta*, 410 F.2d 187 (3 Cir. 1969); *cert. den. sub nom. Montecatini Edison S. p. A.* v. *E. I. du Pont de Nemours & Co.*, No. 322, O. T. 1969 and *Natta* v. *Zletz*, 418 F.2d 633 (7 Cir. 1969).

[2] We understand that "agents" here means at least *any* corporate employee.

10-11).[3] Respondents say that the control group test, acknowledged by the Seventh Circuit to be "similar" to that of "Rule 5-03 (a)(3) Preliminary Draft of Proposed Rules of Evidence for the United States District Courts and Magistrates, March, 1969" (Pet. 4a), "would in major part destroy the protection provided by the attorney-client privilege to the modern corporation, and in turn would deprive the public of the benefit which it receives when a corporation's policies and procedures are based on well-informed legal advice." (R.Br. 13).

These arguments are appeals to emotion. They have no foundation in fact, as is apparent from the respondents' studied avoidance (and that of their amici) of advancing facts to support their positions. The facts which *are* put forth show clearly that the modern corporation could *not* function absent day to day legal advice. As said by the American Bar Association,

> ". . . Today the American corporation must exist in a great welter of regulatory statutes whose observance requires legal advice on virtually every aspect of its affairs. Every transaction involving corporate financing, its competitors, its customers, its employees or foreign trade, is governed by complex regulatory statutes which, in most instances, in addition to subjecting the corporation to severe risks, subject the corporate agents to criminal penalties. If a corporation is to comply with the law, it *must* have legal counsel freely available at all levels of its operations" (ABA Br. 7).

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[3] Actually, this "limited role" argument is purely imaginary as even a few moments' reflection will demonstrate. It stands admitted that "the modern day lawyer may be more frequently called upon by his corporate clients than by the individuals whom he represents" (BANY Br. 6). The suggestion that lawyers will eschew some or all of their livelihood if blanket privilege be denied to corporations is patently unreasonable—particularly when it is remembered that the privilege is *solely* for the client's benefit and *not* for that of the lawyer.

> "A layman could not hope to evaluate the significance of factual variations and distinctions, shadings of difference between various situations. . . ." (ABA Br. 8)

Respondents agree that

> ". . . A modern corporation, depending upon its size, may act through and be bound by the actions of hundreds or thousands of persons. . . . Any of them . . . may be equally in need of adequate legal advice with respect to conduct for which the company may be liable." (R.Br. 13)

The Association of the Bar of the City of New York admits to a "complex maze of regulatory legislation within which a corporation *must* now operate" (BANY Br. 8).

On the face of the acknowledged corporate need for intensive day-to-day legal counsel, it is unreasonable to suggest that corporations would either put roadblocks in the way of obtaining effective advice or else cease seeking it altogether if this Court were to hold that blanket corporate privilege for legal consultations is unavailable.[4]

Manifestly, the corporate entity does not require any inducement to seek legal advice. Unlike an ordinary person, the corporate "person" is dependent for its very existence upon its continued compliance with applicable law, state and federal. Legal advice is vital to insure this compliance.

As this Court observed in *Hale* v. *Henkel*, 201 U.S. 43 (1906):

> ". . . there is a clear distinction . . . between an individual and a corporation. . . . The individual

[4] Indeed, it is apparent on the face of all the papers before the court that the "control group test" which is a limitation upon corporate privilege has been accepted in various courts. There is no evidence and no suggestion that corporate consultation with lawyers *has* in any way diminished consequent from prior application of that test.

may stand upon his constitutional rights as a citizen. He is entitled to carry on his private business in his own way. . . . He owes no duty to the state or to his neighbors to divulge his business, or to open his doors to an investigation, so far as it may tend to criminate him. . . . His rights are such as existed by the law of the land long antecedent to the organization of the state, and can only be taken from him by due process of law, and in accordance with the Constitution. . . . He owes nothing to the public so long as he does not trespass upon their rights.

"Upon the other hand, the corporation is a creature of the state. *It is presumed to be incorporated for the benefit of the public.* It receives certain special privileges and franchises, and holds them subject to the laws of the state and the limitations of its charter. Its powers are limited by law. . . . *Its rights to act as a corporation are only preserved to it so long as it obeys the laws of its creation.* There is a reserved right in the legislature to investigate its contracts and find out whether it has exceeded its powers. . . .

". . . franchises, so far as they involve questions of interstate commerce, must also be exercised in subordination to the power of Congress to regulate such commerce, and in respect to this the general government may also assert a sovereign authority to ascertain whether such franchises have been exercised in a lawful manner, with a due regard to its own laws. . . . The powers of the general government in this particular in the vindication of its own laws are the same as if the corporation had been created by an act of Congress."

The distinctions which this Court has always recognized between the natural person and the corporate being *per se* demonstrate why the natural person who "owes nothing to the public so long as he does not trespass upon their rights" *may* require the inducement provided by

attorney-client privilege even to seek legal advice in appropriate circumstances; on the other hand, the corporate entity by its very nature is *obligated* to keep itself properly advised legally.[2] It follows that the policy considerations applicable to natural persons have no place insofar as the corporate being is concerned.

The Association of the Bar of the City of New York urges that the policy which justifies privilege is the need for truth "in a forum other than the courtroom, even at the risk of non-disclosure during litigation" (p. 10)—to wit, the private forum presided over by the attorney wherein he determines the course of action to suggest to his client. But there is no incentive for the corporation—which enjoys no intrinsic right of privacy and no right against self-incrimination, *Hale* v. *Henkel, supra; Wilson* v. *United States*, 221 U.S. 361 (1911)—to withhold facts from its lawyer. The corporation cannot gain by this; it can only suffer because it will receive bad legal advice which, carried to the ultimate, will jeopardize its continued existence.

Some of the arguments advanced by respondents and their amici are merely veiled pleas for a limited corporate privilege against self-incrimination under the guise of attorney-client privilege in derogation of *Hale* v. *Henkel, supra*, and *Wilson* v. *United States, supra*. In particular, the American Bar Association evinces a great concern for the individual corporate employee's personal Fifth Amendment privilege against self-incrimination (ABA Br. 9-11). The argument overlooks the fact that an individual corporate employee, in order to be subject to a personal criminal charge for the acts committed by the corporation *must* be *at least* a managing agent with

[2] In line with this, natural persons have the right to defend and prosecute civil cases *pro se* and may even defend criminal cases on the same basis if they so choose freely and knowingly. Corporations, being impersonal, *a fortiori* cannot do so without risk of being cited for unauthorized practice of law and hence must utilize either employee "house counsel" or retained "outside counsel" in both civil and criminal cases.

power to decree performance of the challenged acts. Such a person would *a fortiori* be incidentally protected against self-incrimination by the "control group" test for attorney-client privilege which petitioners espouse. A lesser employee not subject to a criminal charge for the acts of his corporate employer would have cause to be concerned about self-incrimination in this context *only* if he had performed acts repudiated by the corporation as outside the scope of his employment. In such a case, corporate privilege could not help him.

To accord the corporation privilege in investigating the circumstances of questionable acts committed by such lesser corporate employees with no decision-making power is to jeopardize, not save, the individual rights of these lesser employees. As the American Bar Association brief itself points out, "privilege is inapplicable where the agent [employee] is being interviewed as one whose interests are adverse to those of the principal, [corporate employer]" (p. 18). A lesser corporate employee has no way of knowing in advance of an interview—nor does corporate counsel who conduct the interview—whether it will be considered, after the story is told, that he acted outside the scope of his employment and hence is cast in a role adverse to his employer. It follows that any corporate "privilege" theory which will permit the corporation through its lawyers to investigate questionable acts of lesser employees will protect *only* the corporation, leaving the individual employee at the mercy of his corporate employer, who, having learned the facts, may take the position that the unfortunate employee was embarked upon an excursion of his own. The employee's discussion with the corporate lawyer is a waiver of his personal privilege against self-incrimination, from which he gets no benefit but the maintenance of his livelihood whether or not corporate privilege be afforded the interview. In later litigation, in which the corporation accuses the individual of civil or criminal fault, the interview with the corporate lawyer can and will be used

against him by the corporation. Plainly, the only right against self-incrimination that would or *could* be protected by recognizing attorney-client privilege on the broad scale opted for by the respondents and their amici is the corporation's own *non-existent* right against self-incrimination; see *Hale* v. *Henkel* and *Wilson* v. *United States*, *supra*.

The assumption that failure to recognize blanket corporate privilege would somehow make the attorney a competent witness against the corporation in litigation is likewise not well founded. Unless the attorney himself be an actor in the subject matter of the litigation, having personal knowledge of relevant facts, his testimony —whether in the form of his contemporaneously written notes or given orally—is at best hearsay, useful under the discovery rules to aid in the development of competent relevant evidence from the real actors whose identies might otherwise be concealed, but not *per se* probative of facts. The other use to which the attorney's testimony or notes *might* competently be put is to contradict, challenge or impeach testimony by a witness inconsistent with what he earlier told the corporate lawyer. The horribles envisioned by the amici where attorneys' "testimony on cross-examination [might] form the strongest evidence in support of an attack on their client" (ABA Br. 6) or "counsel may later be compelled to be a dangerous witness against his own client" (BANY Br. 9) do not mesh with reality and are not a practical deterrent to confining attorney-client privilege for corporate clients within the narrowest possible bounds as counselled by Wigmore for *all* types of clients.

Respondents and the bar association amici argue that the lowest echelon corporate servant, in disclosing facts to the company attorney in order to enable the latter to give legal advice to higher echelon employees, should be considered as an "agent" of the latter, citing 8 Wigmore § 2317 (McNaughton Rev. 1961) (R. Br. 10; BANY

Br. 7; ABA Br. 7). The difficulty with this proposition is that "agent" as used in § 2317 has meant an intermediary, a conduit of information from client to attorney[6]—not, as here, a person who has independent knowledge of facts *unknown* to the person seeking the legal advice and empowered to act as the "client". In similar circumstances to those posited here, a natural person could not claim "agency" or privilege for a communication to his attorney of facts unknown to him. To give some practical examples,

(a) A private householder, albeit responsible for a tort committed by his hired household help in the course of employment, cannot hold as privileged a communication by his employee outside his presence, to his attorney, of facts unknown to him.

(b) A private person who has assumed a debt for his child, parent, brother or sister cannot obtain personal privilege for a communication by his child, parent, brother or sister, to his attorney, outside his presence, of facts unknown to him.

The scope of privilege sought for corporations would obviously reach far beyond that available to natural persons under § 2317. It should *not* be adopted—*inter alia*, because it would be a vehicle for denigrating the Fifth and Fourteenth Amendment rights of natural persons. In any litigation between a natural and a corporate party the latter would enjoy undue advantage, contrary to the due process guarantee of the Fifth Amendment. Even in the seeking and obtaining of legal advice the corporation would enjoy greater—and hence unequal—protection under law, in derogation of the Fourteenth Amendment.

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[6] For example, a messenger, a clerk, an interpreter, a confidential secretary. See *In re Busse's Estate*, 75 N.E. 2d 36 (Ct. App. Ill., 2nd Dist. 1947), where the agent was the client's nurse and business caretaker; *Foley* v. *Poschke*, 31 N.E. 2d 845, syl. 2 (Sup. Ct. Ohio 1941) where the agent was a divorce plaintiff's hired detective.

In short, if there *is* a justification for recognizing attorney-client privilege to corporations at all—and certainly no valid one is put forth by respondents or their amici—the privilege *must* be confined within the narrowest possible limits. The widest scope of attorney-client privilege that corporations could be permitted without impinging upon the rights of natural persons is one consonant with the "control group" formula.

But even there we believe that the establishment of a blanket rule according privilege to control group personnel would be unwise, and that, if corporate privilege in any degree is deemed to be consistent with the nature of the corporate being, the Court should confine its privilege pronouncement to the case at bar—possibly with an accompanying definition of the outermost limits of corporate privilege in terms of the control group test—and leave the further development of restrictions to a case-by-case approach. Our reasons are set forth in the ensuing portions hereof, which are intended as exemplary rather than exhaustive and are drawn largely from the problems privilege poses in the patent field with which we are especially familiar.

III. The Federal Supremacy Doctrine Precludes Subversion of Federal Policy to State Law Privilege Concepts

In *Connecticut Mutual Life Ins. Co.* v. *Schaefer*, 94 U.S. 457 (1877), this Court recognized that even in a diversity case involving natural persons, the federal courts are not bound by state law rules affecting privilege. Refusing to follow the Ohio privilege statute, the Court emphasized:

> ". . . The laws of the State are only to be regarded as rules of decision in the courts of the United States where the Constitution, treaties or statutes of the United States have not otherwise provided. When the latter speak, they are controlling; that it [sic is] to say on all subjects on which it is com-

petent for them to speak. There can be no doubt that it is competent for Congress to declare the rules of evidence which shall prevail in the courts of the United States, not affecting rights of property; and where Congress has declared the rule, the state law is silent. Now, the competency of parties as witnesses in the Federal Courts depends on the Act of Congress in that behalf, passed in 1864, 13 Stat. at L., 351, and codified in the Revised Statutes, section 858. It is not derived from the Statute of Ohio; and is not subject to the conditions and qualification imposed thereby. . . ."

The same principle of federal supremacy has been repeatedly recognized with respect to other state law concepts in all fields of the law. In the patent context, this Court has been diligent to fend off encroachments upon supreme federal law by antithetical state law concepts.

Thus, in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), this court held that the patent laws "like other laws of the United States enacted pursuant to constitutional authority, are the supreme law of the land. . . . When state law touches upon the area of these federal statutes, it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law" (376 U.S. at 229).

In *Sears, Roebuck* and its companion case, *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), this federal supremacy principle was invoked to repudiate any interpretation of state unfair competition laws to prevent copying of unpatented and unpatentable articles.

This same principle has repeatedly been invoked in this Court to preclude conflicting state contract law concepts from overriding federal patent and antitrust laws.

In *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249 (1945); *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U.S. 173 (1942); *Katzinger* v. *Chicago Metallic Mfg.*

Co., 329 U.S. 394 (1947); *MacGregor* v. *Westinghouse Elec. & Mfg. Co.*, 329 U.S. 402 (1947); and most recently, in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), this Court has foreclosed the application of state law contractual estoppel principles to prevent patent licensees or assignors from challenging the validity of licensed or assigned patents. In *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964), this Court refused to permit application of state law freedom of contract principles to effectively frustrate the federal law which limits the life of a patent.

Precision Instrument Mfg. Co. v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945), effectively forecloses the use of state law evidentiary requisites to the establishment of perjury, fraud and the like from defeating the federally superior duty of patent applicants to fully advise the Patent Office of *all* relevant facts concerning the equities of their pending patent applications.

And in *Sperry* v. *Florida*, 373 U.S. 379 (1963), this Court held that the prerogative of the states to regulate the practice of law within their boundaries could not be utilized to interfere with the Patent Office prerogative under federal law to license nonlawyers in any state to engage in patent solicitation activities before it.[7]

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[7] Though not a privilege case, *Sperry* spawned an expansion of the scope of attorney-client privilege afforded by the lower federal courts in patent cases. Compare, *e.g.*, *Zenith Radio Corp.* v. *Radio Corp. of America*, 121 F.Supp. 792 (D. Del. 1954), confining the privilege within narrow limits, to *Sperti Products, Inc.* v. *Coca-Cola Co.*, 262 F.Supp. 148 (D. Del. 1966) which relied on *Sperry* to effect a considerable expansion. See also *Sperry Rand Corp.* v. *International Business Machines Corp.*, 45 F.R.D. 287 (D. Del. 1968), an attempted harmonization of *Sperti* with *Zenith* and its progeny by restricting applicability of *Zenith* to *ex parte* patent solicitation. Even this attempt at preserving the *Zenith* rationale based on the Wigmore conditions (*supra* p. 3) was cast aside by the Third Circuit in *In re Natta*, 410 F.2d 187 (1969) in favor of a liberal scope of privilege recognition in all patent cases.

Cf. the contrary—we believe correct—interpretation of *Sperry* v. *Florida* in *Channel Master Corp.* v. *RMS Electronics, Inc.*, 159 USPQ 344 (SDNY 1965).

There is *no* federal privilege statute. There likewise is *no* federal common law. It follows that privilege concepts, if they are to be applied at all under the presently prevailing statutes, must derive from state statutory or common law.

In such circumstances this Court should exercise great caution in fashioning a blanket privilege test for corporations lest it give too much protection to the corporate client in derogation of the public interest. In each specific type of federal claim case that may arise, the lower courts should be in a position to balance carefully the competing needs of public policy as implemented by federal law and the social policy, status of which derives from state law only, that is designed to foster the attorney-natural person client relationship by immunizing from disclosure to third persons all communications from the client to the attorney for the purpose of obtaining competent legal advice and all resultant advice. In circumstances where corporate clients are involved—and the privilege is hence *not* an essential inducement to free communication between the attorney and the client—it is particularly difficult to justify the interposition of the state law privilege concept, an admitted obstacle to the search for truth, in frustration of federal law and the overweening public policy it implements.

In spheres where federal law is dominant, including the antitrust context of this case, recognition of *any* corporate privilege is a repudiation of federal supremacy on its own ground—and without any offsetting benefit to society.

IV. Where Federal Law Mandates Full Disclosure, Privlege Is Superfluous

This Court in *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945), defined as an "uncompromising duty" the responsibility of all patent applicants to report to the Patent Office

"all facts concerning *possible* fraud or inequitableness underlying the applications in issue". It said,

> ". . . This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independant legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud'" (324 U.S. at 818).[8]

In *Kingsland* v. *Dorsey*, 338 U.S. 318 (1949), this Court recognized that the "uncompromising duty" to fully inform the Patent Office devolves equally upon the applicant *and* his patent solicitor.

In *Chas. Pfizer & Co.* v. *Federal Trade Commission*, 401 F.2d 574 (1968), the Sixth Circuit held that the uncompromising duty imposed by *Precision* and *Kingsland* upon patent applicants and their attorneys extends to *all information* deemed relevant by the patent examiner regardless of whether the examiner's "interpretation of patent law . . . is contrary to the controlling decisions" (401 F.2d at 585-6)—and in view of a patentee's failure to thus fully inform the examiner, affirmed a Federal Trade Commission decree of unfair competition requiring compulsory licensing of the tainted patent.

In *Natta* v. *Hogan*, and in *In re Natta* and *Natta* v. *Zletz* which followed it, lip service was paid to this uncompromising duty, but the duty was construed as a mere "interest in the development of truth" (392 F.2d

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[8] See also *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238 (1944); *Keystone Driller Co.* v. *General Excavator Co.*, 290 U.S. 240 (1933); and *Walker Process Equipment, Inc.* v. *Food Machinery and Chemical Corp.*, 382 U.S. 172 (1965).

686, 692) such as is present in all litigation. By this legerdemain each court justified its own continued use of state law privilege concepts as a mechanism for overriding or evading federal patent policy. This Court has not yet considered the propriety of privilege recognition either in patent cases or controversies arising under other federal full disclosure laws such as the SEC statute in issue in *Securities and Exchange Commission* v. *Texas Gulf Sulphur Co.*, 401 F.2d 833 (2 Cir. 1968), *cert. den. sub nom. Coates. Securities and Exchange Commission*, 394 U.S. 976 (1969) cited at ABA Br. 8. See also *Escott* v. *Barchris Construction Corp.*, 283 F.Supp. 643 (S.D. N.Y. 1968).

In *Wilson* v. *United States, supra*, however, the Court was careful to explain that even a natural individual has no self-incrimination privilege incident public books and records he is by law required to keep. In particular, this Court said:

> ". . . The principle applies not only to public documents in public offices, but also to records required by law to be kept in order that there may be suitable information of transactions which are the appropriate subjects of governmental regulation, and the enforcement of restrictions validly established. There the privilege which exists as to private papers cannot be maintained.
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> ". . . In State ex rel. McClory v. Donovan, 10 N.D. 203, 86 N. W. 709, the defendant was a druggist who was required by statute to keep a record of all sales of intoxicating liquors made by him, which should be subject to public inspection at reasonable times. It was held that the privilege against self-crimination was not available to him with respect to the books kept under the law, for they were 'public documents, which the defendant was required to keep, not for his private uses, but for the benefit of the public, and for public inspection.'" (221 U.S. 380-1)

The analogy between mandatory full disclosure and documents or books required to be maintained for public benefit is a close one. The question of whether attorney-client privilege, a state law concept designed primarily to induce consultation of lawyers by natural persons in their private roles, has any proper place under those federal laws which rest upon the policy of full disclosure for public benefit merits more incisive consideration than it received in the Third, Seventh and Tenth Circuits in the Natta cases. It is directly germane to the corporate privilege issue here raised because the privilege claimants in most patent, SEC and other full disclosure cases are corporations.

If corporate privilege is to be maintained on any scale or for any purpose, we urge the Court to abjure lying down a rule broad enough to pre-empt the full disclosure cases. We believe that these areas above all are ones in which attorney-client privilege, regardless of the nature of the client, should and must ultimately yield to the paramount public good.

CONCLUSION

The problem of attorney-client privilege as an obstruction to truth in the administration of justice merits a much more searching scrutiny than has heretofore been given it. For this reason the Court should proceed with great caution in laying down a broad rule recognizing privilege for any particular class of "client".

Respectfully submitted,

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